

Committee: Performance & Audit

Agenda Item

Date: 24 September 2015

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Title: 2014/15 Statement of Accounts

**Author: Adrian Webb
Director of Finance and Corporate Services**

Item for decision

Summary

1. Enclosed with the agenda is the audited Statement of Accounts for 2014/15 which the Committee is now requested to approve for publication.
2. The approval of the accounts should be considered in the context of the External Auditor's findings, as set out in their report in agenda item 4.
3. The Committee reviewed the draft accounts in July. There are no adjustments to the Council's usable reserves or outturn results approved by Cabinet. The Balance Sheet Net Assets figure and the Comprehensive Income and Expenditure surplus are also unchanged.
4. As per agenda item 4, the Council has received an unqualified opinion and this is the seventh successive year that this has been achieved.
5. The key differences between the draft accounts and the audited version are as follows:
 - Comprehensive Income and Expenditure Statement (CIES) 2014/15 (page 3) – restatement of the income and expenditure within the HRA line and Other Housing Services line. These adjustments were correcting the netting of income in each line and have no bottom line impact on the statement.
 - CIES 2013/14 (page 4) – A restatement of the 2013/14 CIES now has an explanatory note to give clear information on the changes from last year's accounts. The restatements are either not material or purely presentational and there is no bottom line impact.
 - Cashflow Statement (page 6, 40, 41) – within this statement figures have been reclassified to more accurately explain the net cash movements in year.
 - Parking Partnership NEPP (page 46) – the table that related to the partnership account has been removed and the narrative amended to provide information on the management and operational functions of the partnership.
 - Other minor presentational changes have been made to the accounts and where appropriate explanatory narrative has been included.

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- 6. As at the time of issuing this report (17 September) the audit of the accounts was believed to be complete. It is possible that additional issues may arise before the Committee meeting, if so these will be verbally reported.
- 7. Assuming the accounts are approved by the Committee, the Chairman will be asked to sign the accounts to confirm that they have been approved. The auditor will sign the audit opinion shortly afterwards.
- 8. As is standard practice, the Council is required to issue a Letter of Representation to the External Auditor. The Committee is required to consider and approve the wording of this Letter. Accordingly, a draft letter is attached (Appendix A) to this report.
- 9. The external audit identified 2 issues that have not been amended in the 2014/15 accounts. These items and the corrective action are detailed below and in the Letter of Representation.
 - a) Cash Flow – an unresolved balance of £124k could not be identified.
 - b) Cash in transit – this is understated by £61.4k due to an historical error.

Both of the above issues will be investigated in year and resolved for the year end closedown process for 2015/16.

Recommendations

- 10. The Committee is recommended to
 - a) approve the Letter of Representation as attached to this report.
 - b) approve the audited 2014/15 Statement of Accounts as presented with this report.

Financial Implications

11. None.

Background Papers

12. None.

Impact

Communication/Consultation	Close working between the Council and the External Auditor.
Community Safety	None
Equalities	None
Health and Safety	None

Human Rights/Legal Implications	It is a legal requirement to publish the audited accounts by 30 September.
Sustainability	None
Ward-specific impacts	None
Workforce/Workplace	None

Risk Analysis

Risk	Likelihood	Impact	Mitigating actions
Additional matters arise before the conclusion of the audit	1 (the audit is substantially complete)	2 (possible revisions and/or delays)	Close communication with the auditors Briefing of Committee members

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.

APPENDIX A

Debbie Hanson
Ernst & Young LLP
One Cambridge Business Park
Cambridge
CB4 0WZ

15 September 2015

Your ref:
Our ref: AW

Please ask for Adrian Webb on 01799 510421

email: awebb@uttlesford.gov.uk

UTTLESFORD DISTRICT COUNCIL – 2014/15 FINANCIAL YEAR LETTER OF REPRESENTATION

This representation letter is provided in connection with your audit of the financial statements of Uttlesford DC (“the Council”) for the year ended 31 March 2015. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Uttlesford DC as at 31 March 2015 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal controls and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose – all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves

A. Financial Statements and Financial Records

1. The Council has fulfilled its responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the CIPFA Code of Practice on Local Authority Accounting (CIPFA Code).
2. The Council acknowledges its responsibility for the fair presentation of the financial statements. The Council believes that the financial statements referred to above give a true and fair view of the financial position, financial performance and cash flows of the Council in accordance with the CIPFA Code and are free of material misstatements, including omissions. I have approved the financial statements.
3. The Council confirms that the Director of Finance and Corporate Services, as the Responsible Officer, has:

- Reviewed the accounts
 - Reviewed all relevant written assurances relating to the accounts
 - Made other enquiries as appropriate.
4. The Council confirms that the significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
 5. The Council believes that it has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA Code that are free from material misstatement, whether due to fraud or error.
 6. The Council believes that the effects of any unadjusted audit differences, summarized below, accumulated during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The reasons that these differences identified by and brought to the attention from the auditor have not been corrected is that the amount of work necessary to investigate, confirm and correct the differences is disproportionate to their significance in terms of improving the users' understanding of the accounts. The items will be examined in 2015/16 and if deemed necessary, appropriate adjustments will be made in the 2015/16 Statement of Accounts.
 - a) Cash in transit is understated by £61.4k; this is not 'real money' it is an historic accounting adjustment within the general ledger that relates to our Allpay service where people can pay rent and council tax at the Post Office. Initial work suggests this error originated in 2009/10 and has been carried forward year on year in the reconciliations. The Allpay reconciliations have been updated and for 2015/16 reflect the true cash in transit position. The incorrect balancing figure will be adjusted in the general ledger to ensure that the carrying value of cash within the balance sheet matches to our bank (cash) position.
 - b) The CIPFA Cash Flow Toolkit was used to prepare the cash flow statement and all the figures included have been taken from our balance sheet(s) and agreed, an unresolved balance of £124k remains. This is not material to the Cash Flow Statement or the Financial Statements. In 2013/14 a similar figure (£112k) was identified. The Cash Flow Statement is a way of presenting the in and out flows of actual cash; therefore it is not possible to adjust our accounts for this statement. Work will continue on analysing the balance sheet figures and their breakdown within the toolkit to identify the balancing figures and reflect the outcomes in the 2015/16 cashflow statement.
 - c) Within the audit risk log there is reference to miscoding of housing repairs invoices to capital rather than revenue. This error is noted and appropriate training will be arranged for the relevant officers.

B. Fraud

1. The Council acknowledges that it is responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. The Council has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. The Council has no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Councils internal controls over financial reporting. In addition, the Council has no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. The Council has no knowledge of any allegations of financial improprieties,

including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by “whistleblowers”) which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

1. The Council has disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

D. Information Provided and Completeness of Information and Transactions

1. The Council has provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
 - Additional information that you have requested from us for the purpose of the audit
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. The Council confirms that all material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. The Council has made available to you all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 10 September 2015.
4. The Council confirms the completeness of information provided regarding the identification of related parties. The Council has disclosed to you the identity of the Council related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. The Council has disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. The Council has informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. The Council has recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements all guarantees that you have given to third parties.

F. Subsequent Events

1. The Council confirms that other than described in the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Accounting Estimates

1. The Council believes that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. In respect of accounting estimates recognised or disclosed in the financial statements:
 - The Council believes the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
 - That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
 - That the assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
 - That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H. Retirement benefits

On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

I. Specific Representations

None.

Yours sincerely



Adrian Webb

Director of Finance and Corporate Services